

Jim Fallon
11/20/2000 03:36 PM

To: Kevin Hannon/Enron Communications@Enron Communications
cc: Ken Rice/Enron Communications@Enron Communications
Subject: Re: Earnings

Kevin,

Obviously I am not searching for any additional write-offs. It is clear to me that you have not come to terms with the problems we have already identified. We are only trying to make sure that we have accurately quantified those problems already identified. As I am sure you know, we estimate that there is no remaining value in the portfolio and more than likely material write-offs. Therefore, to make earnings we are going to have create positive incremental value. Trading will produce no positive incremental value in this quarter. On a go forward basis we have losses we must recognize to clean up the portfolio and move on.

The Lightrade deal involved selling pooling points that could be considered somewhat central to our success as a bandwidth trading organization - we were willing to do this to help EBS make short term earnings. If we did not burn up in excess of \$500 million this year, accomplishing virtually nothing, then we would not be in this position.

You have never considered prudent write-offs, why start now.

Regards,

Jim

Kevin Hannon



Kevin Hannon
11/20/00 06:16 PM

To: Jim Fallon/Enron Communications@Enron Communications
cc:
Subject: Earnings

Jim,

The latest budget numbers still show us approx \$100mm behind plan with not much more than one full month to go in the year. If the Lightrade deal is truly off, which I believe it is, this only makes our job harder. "Bad News Barry" is apparently trying to drop that title because he confessed to me today that you were looking for further write-offs. This obviously is going in the opposite direction from where we need to be. I am happy to consider any prudent write-offs to the extent we can offset them with earnings sufficient to allow us to still reach our target. However, seeking out potential write-offs this quarter when we are clearly struggling is puzzling and seems to send all the wrong signals to the organization. Please let me know if I am missing something here.

Kevin



GOVERNMENT
EXHIBIT
2837

Crim. No. H-04-25 (S-2)